

Message Text

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PAGE 01 SANTO 00942 171457Z
ACTION AGRE-00

INFO OCT-01 ARA-10 ISO-00 L-03 IGA-02 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 USIA-06
TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 OMB-01 NSC-05
SS-15 STR-07 CEA-01 ABF-01 /089 W
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R 171200Z FEB 78
FM AMEMBASSY SANTO DOMINGO
TO SECSTATE WASHDC 3604

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DEPT PASS USDA/OGSM

E.O. 11652: N/A
TAGS: EAID, DR
SUBJECT: GODR REQUEST FOR NEW FY 1978 AND FY 1979 PL 480 TITLE
I PROGRAM

1. EMBASSY HAS RECEIVED FORMAL REQUEST SIGNED BY GODR CENTRAL
BANK GOVERNOR FOR PL 480 TITLE I PROGRAMS FOR FY 1978 AND 1979.
COMMODITIES AND QUANTITIES REQUESTED ARE AS FOLLOWS:

COMMODITY	FY 1978 (JAN-SEPT)	FY 1979 (OCT-SEPT)
RICE	15,000 MT	25,000 MT
DRY BEANS	1,875 MT	2,500 MT
CORN, NO. 3 YLO.	30,000 MT	50,000 MT
VEGOIL (SOY)	10,500 MT	14,000 MT
WHEAT	-	130,000 MT

2. EMBASSY HAS CAREFULLY ANALYZED REQUEST FOR NEW FY 1978 PROGRAM
BASED ON SUPPLY DISTRIBUTION IMPACT, USUSAL MARKETING PATTERN
AND FACTOR OF TIME LIMITATION. WE BELIEVE FY1978 REQUEST IS
EXCESSIVE BASED ON FOLLOWING CONSIDERATIONS.

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PAGE 02 SANTO 00942 171457Z

3. RICE PRODUCTION CY 1978 NOW ESTIMATED AT 200,000 MT IS UP
20,000 TONS FROM 1977. TOTAL IMPOR REQUIREMENT FOR RICE ESTIMATED
TO FALL WITHIN RANGE 35-40 THOUSAND TONS. UMR ESTABLISHED IN
1977 FOR PL 480 TITLE I PURPOSES WAS 38,000 TONS. ASSUMING UMR
WOULD NOT BE LOWERED FOR 1978 PROGRAM UMR WOULD MEET TOTAL RICE
IMPORT NEEDS THUS LEAVING NO ROOM FOR RICE UNDER PL 480 PROGRAM.

4. EMBASSY UNDERSTANDS DRY BEANS NOT NOW BEING PROGRAMED TITLE I.

5. CORN REQUESTED FOR FY1978 IS 30,000 MT. TOTAL IMPORT REQUIREMENT FOR YEAR CALCULATED AT 90,000 TONS OF WHICH 15,000 ALREADY SUPPLIED UNDER AGREEMENT SIGNED 28 SEPT 77. SINCE ADDITIONAL 15,000 TONS REQUESTED UNDER SAME AGREEMENT WAS NOT APPROVED, TOTAL 15,000 TONS UNDER OLD PL 480 PROGRAM PLUS UMR ALREADY ESTABLISHED AT 38,000 TONS LEAVES ROUGHLY 37,000 TONS OF TOAL REQUIREMENT TO BE MET. 30,000 TONS IS RECOMMENDED UNDER TITLE I PROGRAM FOR DELIVERY TO BEGIN AS SOON AS FEASABLE TO BE COMPLETED DURING FY 1978.

6. SOYBEAN OIL REQUEST FOR FY 1978 APPEARS SLIGHTLY EXCESSIVE IN VIEW OF TIME LIMITATION FOR DELIVERY DURING FY 1978 ASSUMING NEW AGREEMENT COULD NOT BE SIGNED BEFORE APRIL 1. TOTAL VEGOIL DEFICIT, INCLUDING OIL CONTENT IMPORTED SOYBEANS ESTIMATED AT 30,000 METRIC TONS. IMPORTED SOYBEANS WILL PROVIDE ROUGHLY 5,000 TONS OIL. OIL PURCHASES FOR CASH WILL CARRY MILLS THROUGH MARCH 1978. THUS WE RECOMMEND CONSIDERATION OF 7,000 METRIC TONS SOYBEAN OIL UNDER NEW TITLE I PROGRAM FOR 1978. THIS QUANTITY WOULD BE IMPORTED DURING THE LAST HALF FY 1978.

7. THUS EMBASSY SUBMITS FOLLOWING RECOMMENDATION FOR NEW FY 1978 PROGRAM BY COMMODITY WITH ESTIMATED COST BASED ON CURRENT ESTIMATED PRICES.
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PAGE 03 SANTO 00942 171457Z

COMMODITY	QUANTITY	VALUE
	(METRIC TONS)	(MILLION DOLLARS)
SOYBEAN OIL	7,000	3.5
CORN	30,000	3.2
TOTAL	37,000	6.7

8. THE DOMINICAN ECONOMY HAS WEATHERED 1977 REASONABLY WELL, PERHAPS BETTER THAN ANTICIPATED IN LIGHT OF LOW SUGAR PRICES, HIGH OIL IMPORT COSTS, A 16.5 PERCENT INFLATION RATE, AND A POPULATION GROWTH OUTPACING GAINS IN FOOD PRODUCTION. CURRENT INDICATIONS, HOWEVER, ARE THAT 1978 WILL BE EVEN MORE DIFFICULT. SUGARPRICES ARE RISING SOMEWHAT, THOUGH NOT ENOUGH TO OFFSET THE EXPORT CUT BACKS UNDER THE INTERNATIONAL SUGAR AGREEMENT. COFFEE REVENUES WILL PROBABLY DECLINE IN 1978, AS WILL EARNINGS FROM CACAO, BAUXITE AND FERRONICKEL. THESE DECLINES MAY MEAN CLOSE TO \$80 MILLION LESS IN EXPORT REVENUES. EVEN IF NON-ESSENTIAL IMPORTS ARE SUBJECT TO ADDED RESTRAINT, THE TRADE BALANCE MAY BE EXPECTEDTO DETERIORATE BY MORE THAN \$50 MILLION. WHILE TORUISM WILL CONTINUE TO INCREASE, IT CANNOT BE EXPECTED TO COVER THIS PROJECTED TRADE DEFICIT; NOR CAN THE DR LOOK TO PRIVATE FOREIGN INVESTMENT CAPITAL INFLOWS IN THIS ELECTION YEAR.

FOOD IMPORTS HAVE BEEN MADE BY INESPRE, THE GOVERNMENTS FOOD PRICE STABILIZATION AGENCY, USING PREMIUM-PRICED PARALLEL MARKET DOLLARS BECAUSE OF THE GODR'S CHRONIC FOREIGN EXCHANGE SHORTAGE. THIS HAS ADDED SIGNIFICANTLY TO DOMESTIC INFLATIONARY PRESSURES, AND HAS EXERTED A MAJOR UPWARD INFLUENCE ON THE UNOFFICIAL EXCHANGE RATE. IN SUM, ALTHOUGH THE ECONOMIC OUTLOOK FOR THE DR IS AR FROM DISMAL OVER THE LONG RUN, PL 480 SALES IN THE AMOUNT RECOMMENDED WOULD SIGNIFICANTLY ASSIST THE GODR IN DEALING WITH ITS B/P AND INFLATIONARY PROBLEMS IN 1978-79.

9. DEVELOPMENT CONSIDERATIONS:

DECLINING FOREGIN EXCHANGE EARNINGS AND GOVERNMENT REVENUES AS A RESULT OF LOWER SUGAR PRICES HAVE RESULTED IN A GENERAL LIMITED OFFICIAL USE

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PAGE 04 SANTO 00942 171457Z

BELT-TIGHTENING IN 1977 WHICH IS LIKELY TO CONTINUE IN 1978. NOT ONLY HAS INTERNAL CREDIT BEEN ALLOWED ONLY MODEST EXPANSION, BUDGETARY EXPENDITURES HAVE BEEN STRICTLY HELD TO FORMER LEVELS IN SPITE OF INFLATIONAY PRESSURES. WHILE SUCH MEASURES SPEAK WELL FOR FISCAL PRUDENCE AND GOOD MANAGEMENT, DEVELOPMENT PROGRESS HAS BEEN SUBSTANTIALLY DAMPENED. THE GROWTH RATE FOR 1977 MAY BE AS LOW AS 3 PERCENT. PROJECTIONS FOR 1978 ARE SLIGHTLY LOWER. THIS COMPARES WITH AN AVERAGE ANNUAL RATE OF 11 PERCENT BETWEEN 1968 AND 1974.

UNDER THE CIRCUMSTANCES, SECTORS ON WHICH US BILATERAL ASSISTANCE HAS BEEN CONCENTRATED -- AGRICULTURE, HEALTH AND EDUCATION -- HAVE INCREASING NEEDS WHICH WILL NOT BE MET THROUGH INCREASED BUDGETARY ALLOCATIONS. DEVELOPMENT PROJECTS ORIGNALLY SHECULED TO BE INITIATED IN 1977 AND 1978 ARE BEING DEFERRED. WHILE THE PROPOSED PL 480 PROGRAM FOR FY78 IS MODEST IN TERMS OF THE DEVELOPMENT REQUIREMENTS IN THESE AREAS, THERE ARE SPECIFIC PROJECTS RELATED DIRECTLY TO ON-GOING AID-SUPPORTED ACTIVITIES WHICH WOULD BENEFIT FROM THE INVESTMENT OF PL 480 COUNTERPART FUNDS . THESE PROJECTS FROM PAR OF THE ONGER-TERM GODR STRATEGY FOR RURAL DEVELOPMENT AND WILL MAKE AN IMMEDIATE CONTRIBUTION TO RAISING INCOME LEVELS OF THE SMALL LANDHOLDERS IN THE LOCALITIES WHERE THEY ARE UNDERTAKEN. THESE PROJECTS CONSIST OF FARM-TO-MARKET ROADS, SMALL DAMS AND IRRIGATION CANALS, SMALL FARM PONDS, SIMPLE STORAGE FACILTITIES AND STRENGTHENING OF FAMILY PLANNING ACTIVITIES AT THE GRASS ROOTS LEVEL.

10. EMBASSY ANALYSIS AND RECOMMENDATIONS PREGARDING PL 480
TITLE I REQUEST FOR FY 1979 WILL FOLLOW SEPTTEL.
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Message Attributes

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Disposition Approved on Date:
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